## ABSTRACT

There is provided a series of novel substituted gamma-lactams of Formula (I)

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wherein  $R^1$ ,  $R^2$ ,  $R^3$ ,  $R^4$  and  $R^5$  are defined herein, their pharmaceutical compositions and methods of use. These novel compounds inhibit the processing of amyloid precursor protein (APP) by  $\beta$ -secretase and, more specifically, inhibit the production of  $A\beta$ -peptide. The present invention is directed to compounds useful in the treatment of neurological disorders related to  $\beta$ -amyloid production, such as Alzheimer's disease and other conditions affected by anti-amyloid activity.